Torbay Council

Audit progress report and sector update

March 2025

Agenda

Audit Progress Report

Introduction

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This paper provides the Audit Committee with a report on progress in delivering our responsibilities as your external auditors.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Audit Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications:

Local government | Grant Thornton

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.

Progress at March 2025

Financial Statements Audit

2023-24

Our final audit findings for the 2023-24 financial statements were reported to Audit Committee on 24 February 2025. We completed our audit finalisation procedures and final review of the financial statements after that date and our final audit opinion was signed and issued on 28 February 2025, in line with the statutory backstop deadline.

As highlighted by our Audit Findings Report and discussed during the February committee, we identified the quality of the draft financial statements as a significant matter in our work. Fundamentally, this was due to:

- a lack of capacity with the finance team to prepare high quality financial statements;
- the absence of a robust year end reconciliation between its general ledger accounting system, the final trial balance and the draft financial statements;
- the need to better control the year end closedown process and posting of accounting entries during the accounts production process; and
- the need for an improved quality control review process with its draft financial statements.

Our report highlighted the impact of these difficulties on the timely progression of work and the extent of additional audit resources required to support the completion of audit. Following the conclusion of the 2023-24 financial statements audit, we have now had opportunity to review the detailed time records for the team to assess the final level of inputs required to this year's audit. This has resulted in a significant fee variation proposed to the Council, as set out further on page 7 of this report. This proposal has been shared with the Council's Section 151 officer and proposed to PSAA for further consideration and review.

2024-25

In March 2025, we commenced our detailed audit risk assessment work for 2024/25. We will issue a draft audit plan, setting out our proposed approach to the audit of the 2024/25 financial statements to management before the end of April, and this will be presented to the Audit Committee in May 2025.

A key consideration for the Council for the 2024-25 financial statements, will be the implementation of IFRS 16 – Accounting for Leases. We have prepared a briefing for Audit Committee members, set out from page 11 of this report.

Furthermore, we will also seek to follow up our audit recommendations arising from the 2023-24 audit to seek assurance that improvements will be implemented in readiness for the 2024-25 accounts preparation and audit.

We plan to commence our audit fieldwork in September 2025, subject to draft financial statements being published.

Value for Money

We aim to complete all 2024/25 value for money audit reviews by 31 December 2025.

From current trends around cost pressures and service demand, we anticipate that risks around financial sustainability and reserves will require consideration across most value for money reviews for 2024/25. Arrangements for governance and improving economy, efficiency and effectiveness will also be reviewed.

Where there are lesson to be learnt from the findings for our 2023/24 value for money reviews, we will seek to share them on a timely basis, to inform future practice.

Progress at March 2025 (cont.)

Other areas

Certification of claims and returns

Our dedicated grants team concluded their work on the Council's 2021-22 Housing Benefits return and issued the final Reporting Accountants report to DWP on 21 January 2025. Fieldwork on the 2022-23 return has concluded and subject to final Director review is estimated to be submitted to DWP in April 2025.

Preliminary modules of work for the 2023-24 Housing Benefit return are expected to commence in March 2025.

Meetings

We continue to meet regularly with the Council's Chief Executive and Director of Finance throughout the year with our most recent meeting held on 15 January 2025.

Events

We provide a range of workshops and network events. Events taking place include:

- Your finance officers were invited to our annual covering 2024/25 financial reporting matters on Thursday 6th March and Wednesday 12th March 2025 10.00am to 3.00pm; and
- A webinar providing updates on devolution and local government re-organisation, and lessons from our 2023/24 value for money audits, on Wednesday 4th June from 4.00pm to 5.30pm.

Audit Fees – 2024-25

PSAA have published their scale fees for 2024/25 2024/25 audit fee scale – PSAA

For Torbay Council, these fees are £340,484. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Proposed 2023-24 audit fees

We confirm below our proposed fees for the 2023-24 audit. All proposed fee variations will be subject to PSAA review and approval.

As highlighted on page 5, the level of additional work required to conduct the 2023-24 audit has been extensive, due to the significant issues identified in discrepancies between the initial draft financial statements and the Council's accounting records. The impact of these difficulties and quality deficiencies has meant that a significant amount of additional audit resources have been sought and utilised to support the completion of audit, to enable us to complete as much audit work as possible to regain assurance ahead of the 28 February 2025 backstop date. These additional audit inputs have resulted in over 75% of additional audit resource being required compared to expected resource levels on which the audit scale fee has been based.

We will continue to work with the Council to support it as it addresses the recommendations arising from our audit action plan. Successful implementation of these actions will help to mitigate the need for further variations in future audits.

Audit fees	Proposed fee per audit plan	Final estimated fee
Scale fee	£308,933	£308,933
ISA 315 and ISA240	£12,550	£15,690
Other additional work in relation to prior period restatements		£34,039
Other additional work in relation to the reconciliation of the financial statements to the accounting records and review of subsequent revisions of draft accounts		£44,012
Additional Group considerations around group restructure		£8,919
Additional pension work and considerations in relation to the impact of IFRIC 14		£11,970
Extensive work required to pursue outstanding sampling evidence, follow up responses to queries and evaluating audit errors and adjustments on current and prior year financial statements		£120,547
Total proposed audit fees (excluding VAT)		**£544,110**

Audit Deliverables

Below are some of the audit deliverables planned for 2024/25

2024/25 Deliverables	Planned Date*	Status
Audit Plan We are required to issue a detailed audit plan to the Audit Committee setting out our proposed approach in order to give an opinion on the Council's 2024/25 financial statements.	April 2025 to management May 2025 to Audit Committee	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the Audit Committee.	December 2025	Not yet due
Auditors Report This includes the opinion on your financial statements.	December 2025	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	December 2025	Not yet due

Accounting Update – IFRS 16

A briefing for audit committees on the implementation of IFRS16

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IFRS 16 - Leases

Lessee accounting up to 31 March 2024

Until April 2024, when a public sector body gained the use of an asset under a lease agreement, it had to determine whether it was a finance lease or an operating lease. The distinction was based on which entity had substantially all the risks and rewards of ownership. It was important because finance leased assets were deemed capital and accounted for on the authority's balance sheet, whereas operating lease costs were charged to expenditure over the life of the lease.

Lessee accounting from 1 April 2024

From the adoption of IFRS 16 leases on 1 April 2024, the distinction between operating and finance leases for lessees has been removed. Now all leases, apart from those that are deemed low value or short term, are accounted for on balance sheet by lessees.

Asset and liability recognised

Under IFRS 16, lessees recognise their right to use an asset and also a liability for the present value of the total amount they expect to pay over the period of the agreement. Initially, the right of use asset and the liability are usually recognised at the same value, unless there have been any relevant payments before the start of the lease.

After initial recognition, the right of use asset is valued the same way as owned assets of a similar type and the liability is increased for interest due or changes in expected payments due to the application of a rate or index such as RPI, and decreased for amounts paid.

Public sector adaptation

In the public sector, the definition of a lease has been extended to include the use of assets for which little or no consideration is paid, often called "peppercorn" rentals. This is one instance where the right of use asset and associated liability are not initially recognised at the same value. For peppercorn rentals, the right of use assets are initially recognised at market value and any difference between that and the present value of expected payments is accounted for as income, similar to the treatment of donated assets.

IFRS 16 - Leases

Judgements required

Most of the information needed to determine the appropriate figures for the accounts will come from the lease agreement. However, sometimes judgements may need to made by management. Such judgements may include:

- determining what is deemed to be a low value lease. This is based on the value of the underlying asset when new and is likely to be the same as the authority's threshold for capitalising owned assets.
- determining whether an option to terminate or extend the lease will be exercised. This is important as it affects the lease term and subsequently the calculation of the lease liability based on the expected payments over the lease term
- the valuation of the right of use asset after recognition. An expert valuer may be required to support management in this.

Lessor accounting

IFRS 16 has preserved the distinction between finance and operating lease accounting for lessors. The key things that lessors need to be aware of are:

- assets leased out for a peppercorn rental should be treated as finance leases if they have, in substance, been donated to the operator
- if the asset is sub-let, the consideration of whether the sub-lease is a finance lease or an operating lease takes account of the value and duration of the head lease rather than the value and life of the underlying asset

IFRS 16 - Leases

Questions to consider

Questions for local authorities to ask themselves include:

- How have you gained assurance on completeness, that you have identified all your leases including those for a peppercorn rent?
- Have you set your threshold for low value leases?
- How have you identified all options to terminate or extend existing leases and assessed the lease term on the basis of the likelihood you will exercise them?
- Have you reconciled your operating lease commitments as disclosed in your 31 March 2023 accounts under IAS 17 to your lease liability under IFRS 16 on 1 April 2024?
- How have you gained assurance that right of use assets are carried at the appropriate value at the balance sheet date?
- If you are an intermediate lessor, have you reassessed whether the leases out are finance or operating leases with reference to the terms of the head lease?
- Have you updated your systems to ensure that the budgetary and accounting impact of all leases is identified in a timely and effective manner.

Sector Updates

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Devolution and reorganisation

5th February 2025 saw two significant steps taken by the government in its devolution process: Successful bids for the Devolution Priority Programme were announced; and legislation came into force establishing new combined authorities.

The six successful areas joining the Devolution Priority Programme are picked from across the country: Cumbria; Cheshire and Warrington; Greater Essex; Hampshire and Solent; Norfolk and Suffolk; and Sussex and Brighton. Eight Councils in these areas had local elections due in May 2025 which have had to be cancelled. However, with all six of the areas now on a fast track to mayoral elections in May 2026, many will see this as an overall win for local accountability.

At the same time, the three new combined county authorities and one new combined authority established on 5th February are also all from different parts of England: Devon and Torbay; Lancashire; Greater Lincolnshire; and Hull and East Yorkshire.

The shift towards greater local decision-making and governance looks likely to continue:

- The government has committed to support devolution business planning for the thirty-three other areas that applied to be in the Priority Programme but were not successful;
- In one area (Surrey), elections have been cancelled not to support devolution this year, but to enable the reorganisation needed for devolution in future; and
- All councils in two-tier areas and small neighbouring unitary authorities have been invited to make proposals for their own reorganisation – with initial proposals invited by 21st March 2025.

Last year, our Learning from New Unitary Councils report set out key messages for local authorities facing reorganisation. Points to bear in mind now, for areas that want to submit initial proposals successfully are:

- Ensure **sufficient staff and other resources are allocated** to the planning process;
- Review business as usual activities to **create capacity**, and **develop key organisational enablers;**
- Be prepared to invest in significant **programme management capacity and capability;**
- Focus on **culture and communication and hearts and minds** alongside the technical analysis;
- **Tackle finances early,** for example seek clarity on social care allocation or balance sheet split;
- **Engage** with the community to identify meaningful aspirations; and
- **Collaborate** to avoid competing proposals.

Helpful resources:

Learning from the new unitary councils, September 2024

English Devolution White Paper, 16th December 2024

Written statement on English devolution and local government, 5th February 2025

Invitation to local authorities in two-tier areas, 6thFebruary 2025

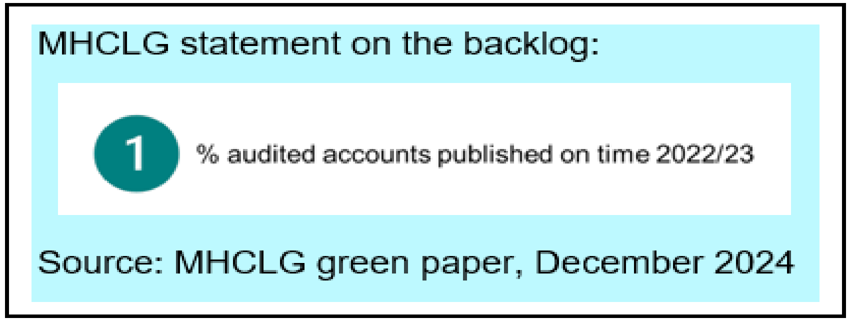
MHCLG explainer – what happens next

Local audit reform

For government in England to really access the potential benefits that devolution may bring, there needs to be certainty that accountability and transparency can be maintained at local level. This looks likely to mean a complete overhaul of the current local audit system.

In December 2024, the Ministry of Housing, Communities and Local Government (MHCLG) published a green paper around local audit reform. In the consultation, the government recognised that just 1% of accounts for 2022/23 were published on time, and that whilst there have been calls since 2018 for a separate, dedicated, specialist local audit body to be established, there has been no such body in place since the Audit Commission was disbanded in 2015.

The consultation has now closed, and primary legislation is likely to be introduced in May 2025. The ambition is to establish a new Local Audit Office in the Autumn of 2026 and for the Local Audit Office to begin contract management and other elements of a new oversight role by 2028.



The government has committed that when it arrives, the new Local Audit Office ("LAO") will:

- Be statutory and independent, with a remit to streamline and simplify the system;
- Assume the functions of appointing and contracting auditors for local authorities (meaning that authorities would no longer have the power to appoint their own auditor);
- Adopt ownership of the Code of Audit Practice from the NAO and deliver relevant training;
- Hold responsibility for quality oversight of local audit, including overseeing an inspection programme, enforcement and some elements of supervision;
- Publish national insight reports on local audit health, which could include emerging trends, quality, market sustainability, VFM arrangements and statutory recommendations and public interest reports; and
- Oversee professional bodies with regard to their remit for the qualification, registration and conduct of local auditors.

MHCLG describes the current system as "complex and dysfunctional" and "broken" but states that it is "determined to get the house in order". To a large degree, the future of local audit will depend on the extent to which the new body is given appropriate scope, powers and responsibilities. We are contributing actively to stakeholder groups and will work constructively with the new body as it comes into existence.

For a full copy of MHCLG's intentions, see Statement of intent and consultation .

The future of financial reporting

The government's consultation on local audit reform also included consultation on the future of local government financial reporting and accounts. The government's December 2024 statement of intent and consultation committed to:

- Review the content and format of accounts;
- Determine an appropriate approach to consistency across the UK;
- Consider primary legislation to separate pension fund accounts from administering authority accounts;
- Guarantee a freely available Accounting Code; and
- Consider the introduction of standardised statements in the longer term.

Work is intended to include ensuring that the accounting code does not require more disclosures than are necessary and to consider the purposes and users of local authority accounts. The statement of intent highlighted that timeliness, comprehension (understandability) and professional capability (capacity) have all been issues in the past, culminating in just 1% of audited accounts being published on time for 2022/23.

Grant Thornton's track record is strong (84% of unqualified opinions for 2022/23 signed by the 13th December 2024 backstop date), but we welcome the government's new commitments. Better timeliness and more comprehensible reporting across the sector will strengthen accountability and transparency and lead to a firmer platform for decision-making and devolved delivery.

13th December 2024 backstop performance – Grant Thornton compared to sector pre-backstop performance

Sector: % audited accounts published on time (pre-backstop dates being set)	1
Grant Thornton: % 2022/23 opinions signed by the 13th December 2024 backstop date	84
Grant Thornton: % 2022/23 VFM Auditor Annual Reports published by the 13th December 2024 backstop date	99

In the meantime, with the 28th February 2025 backstop date now passed for 2023/24 statements of accounts, many will now be turning their attention to getting ready for 2024/25 financial reporting. Unaudited accounts for 2024/25 need to be published by 30th June this year. The backstop publication date for the audited 2024/25 accounts is 27th February 2026 . Early consideration of resourcing and timetabling will help.

For a full copy of the statement of intent and consultation, see Statement of intent and consultation

For the Accounts and Audit Regulations 2024, see The Accounts and Audit (Amendment) Regulations 2024

Standards and conduct

The Ministry of Housing, Communities and Local Government (MHCLG) recently ran an open consultation on Strengthening the standards and conduct framework for local authorities in England.

Specific proposals consulted on for legislative change included:

- The introduction of a mandatory minimum code of conduct for local authorities in England;
- A requirement that all principal authorities convene formal standards committees to make decisions on code of conduct breaches, and publish the outcomes of all formal investigations;
- The introduction of the power for all local authorities (including combined authorities) to suspend councillors or mayors found in serious breach of their code of conduct and, as appropriate, interim suspension for the most serious and complex cases that may involve police investigations;
- A new category of disqualification for gross misconduct and those subject to a sanction of suspension more than once in a 5-year period; and
- A role for a national body to deal with appeals.

In addition, the consultation asked for views on how to empower victims affected by councillor misconduct to come forward; and what additional support would be appropriate to consider for those victims.

With 2025 marking the thirtieth year since the Nolan Principles were first introduced, this seems a good time for local government to re-appraise the framework it relies on to underpin those Principles.

Since Standards for England was abolished in 2012, local authorities have been required to promote and maintain high standards through their own internal code of conduct arrangements, without any oversight at national level. There has been little in the way of sanction options for poor standards, other than for non-disclosure of pecuniary interests (which has criminal sanctions).

Whilst most councillors do embody the selflessness, integrity, objectivity, accountability, openness, honesty and leadership expected of them, beyond hoping for removal through the ballot box at the next election, there has been little mandatory power since 2012 for managing the minority that do not.

For government in England to really access the potential benefits that devolution may bring, there needs to be certainty that high standards can be maintained at local level. Revisiting and strengthening the framework so that it is fit for purpose and something to be proud of feels a logical step to be taking in this thirtieth anniversary year.

Finance settlement 2025/26

The final Local Government Finance Settlement was announced on 3rd February 2025, granting councils access to some £69 billion of funds. Although the government estimates that this was a 6.8% cash terms increase compared to 2024/2025, the settlement was not without severe criticism from across the sector – spanning both "town" and "country".

London Councils, representing London boroughs, said at least seven councils in the capital will still require exceptional financial support from the government to balance their budgets in 2025/26 because of homelessness and temporary accommodation costs in the capital.

Meanwhile, the County Council's Network highlighted that only 3% of the £600 million Recovery Grant will be targeted outside urban areas, whilst the removal of the Rural Services Delivery Grant is another blow for rural authorities.

For sufficiency of cost compensation, the Local Government Association (LGA) pointed out that the £515 million allocated to the sector for managing the increase in employer's national insurance contributions (NIC) falls very far short of the compensation needed. The LGA estimated that directly employed staff costs alone will rise by £637 million. It estimated that the overall cost of increased NIC will be £1.1 billion once costs through commissioned providers are factored in.

For sufficiency of income, whilst six councils were given permission to set Council Tax increases above current referendum thresholds, everyone else was required to remain within the referendum limits that have been in place since 2012. The LGA noted that many Councils will need to go to this limit and still cut services.

We note that a recent consultation on Local authority funding reform started to pave the way for new funding allocations. There will probably **be** "losers" as well as "winners" in any re-allocations. However, the consultation also started to pave the way for increased local flexibility, and changes to fees and charges . These are expected to be helpful across the sector and perhaps will reduce some of the dependency on settlements that underpins the criticism we see now.

For a sample of press and other comment on the settlement for 2025/26, see

Local Government Association: Debate on the Local Government Finance Settlement 2025/26, House of Commons, 5 February 2025 | Local Government Association

Public Finance: Councils still under strain as local government finance settlement published | Public Finance

CCN News: County Councils Network responds to final Local Government Finance Settlement - County Councils Network.

Local Government Lawyer: Unitary mulling legal action over "vindictive" decision to end rural services delivery grant

New financial resilience index published by CIPFA

CIPFA published the Financial Resilience Index 2024 in January 2025. For Councils wanting to check how they compare with others and where their weak spots are, the Index can be found here: [Insights from the Financial Resilience Index](#).

Helpful for this year is that the Index includes an indicator on growth above baseline. This can be used to highlight the risk each council is likely to face when the business rates retention scheme changes.

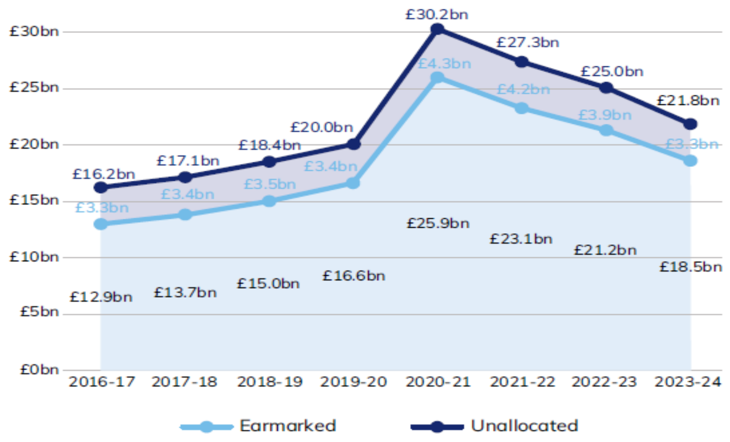
Taking the data for all councils together, the Index highlights that some ongoing national issues are getting rapidly worse rather than better, and that decline is speeding up. The data, when compared to Financial Resilience Index 2023, suggests that:

- Reserves are declining at an accelerated rate. This is the case for unallocated and earmarked reserves and, for the unallocated reserves, suggests that Councils are using reserves more rather than less than in the past to cover budget gaps.
- Other than for London boroughs, average spend for all councils increased sharply as a percentage of net revenue expenditure in 2024 compared to 2023. London boroughs had seen an equivalent sharp increase in 2023, so this seems to be a case of the rest of the country catching up with London's trend; and
- Average homelessness expenditure rose sharply as a proportion of net revenue expenditure for London boroughs and non-metropolitan districts.

Continued demand-led cost pressure, coupled with falling reserves to absorb the pressure is not a new trend – but the rate of increase across the country will be very worrying for many.

On a more positive note, the Index does show that external debt levels have stabilised for the sector, which suggests better understanding of the risks associated with debt. Many must be reading the index and hoping that reserves decline can arrest and stabilise as well now.

Total unallocated and earmarked reserves



Exceptional Financial Support

With so many commenting that the Finance Settlement for 2025/26 was inadequate for their council, it was perhaps no surprise to many that the government went on to approve exceptional financial support for thirty councils on 20th February 2025. This covered nearly ten percent of all English local authorities, rising from 19 approvals for 2024/25 and just eight approvals for 2023/24.

Fifteen of the thirty councils were the same councils that had support approved for 2024/25. For four of the thirty councils it was their third year running of "exceptional" support – they having also had approvals not only for 2024/25 but for 2023/24 as well (Croydon, Cumberland, Thurrock and Slough).

Support agreed in principle for 2025/26 ranges in size from £2 million each for Eastbourne Borough Council and Worthing Borough Council; to £180 million for Birmingham City Council. The total value is well over £1 billion.

The National Audit Office has commented that this short-term action is insufficient to address the systemic weaknesses in local government financial sustainability. The fact that this is the third year running of exceptional financial support seems to confirm that argument. However, there are two important differences to exceptional financial support this year:

- for the first time since exceptional financial support was introduced in 2020, additional expectations have been set out to protect "treasured community assets, culture and identity." Councils using capitalisation are instructed not to dispose of community and heritage assets; and
- the Government has removed the condition that made borrowing more expensive through a 1% premium.

The heritage asset and premium rate charging changes do seem to herald a new direction and a higher emphasis on the government helping the sector. When the recently consulted on local authority funding reform materialises, then it will be clearer just how far in a new direction the government is going to go.

	Councils approved support in principle
February 2025	30
February 2024	19
February 2023	8

For details of the support granted for 2025/26, see

Exceptional Financial Support for local authorities for 2025-26 - GOV.UK

For the February 2025 National Audit Office report on local government financial sustainability

See Local government financial sustainability

House of Commons Committee inquiry

Looking more widely at whether the local government finance system in England is fit for purpose overall, the House of Commons Committee on Housing, Communities and Local Government took oral evidence as part of an inquiry into the system on 11th February 2025; and published 48 written evidence submissions as part of its inquiry on 19th February 2025.

Oral evidence was taken from a selection of academics, as well as representatives from the Local Government Information Unit; the Institute for Government; the Institute for Fiscal Studies; and the Reform think tank.

The written evidence submissions came from a wide range of organisations, including government and public bodies, councils, charities, and academic experts. Organisations submitting evidence to the Committee's inquiry included charities such as Mencap, Terrence Higgins Trust, and the National AIDS Trust; groups such as Libraries Connected and the Chartered Institute of Library and Information Professionals; the trade union UNISON; the Chartered Institute of Housing and the Royal Town Planning Institute; and the Local Government and Social Care Ombudsman.

Government and public bodies including the Ministry for Housing, Communities and Local Government, Food Standards Agency, and Historic England also submitted evidence; as did a number of councils and local authority groups.

Under the inquiry, cross-party MPs are asking questions about council tax, business rates, and the funding available from central government; cost and income pressures on the local government sector; and the likely effectiveness of the planned move to multi-year funding settlements.

The wide range of written evidence submissions gives excellent insight into what stakeholders from across the spectrum have to say about the sector today.

Details of oral evidence received by the inquiry can be fund here: 11th February 2025 - The Funding and Sustainability of Local Government Finance - Oral evidence - Committees - UK Parliament

A full copy of all 48 submissions can be found here: The Funding and Sustainability of Local Government Finance - Written evidence - Committees - UK Parliament

Adult Social Care

Government announcements on 3rd January 2025 paved the way for significant changes around adult social care provision – with immediate support and the start of deep reform both announced on the same day.

For immediate support, the government announced:

- An £86 million immediate uplift to the Disabled Facilities Grant (DFG) for 2024/25;
- An equivalent additional amount of £86 million to be added to the DFG allocation for 2025/26 (since confirmed in the final settlement);
- a shared digital platform to allow up-to-date medical information to be shared between the NHS and care staff, including when someone last took their medication; and
- Commitment to support care workers taking on further duties to deliver health interventions, such as blood pressure checks, at home.

This last two points are intended to reduce pressure on the NHS whilst upskilling the care sector. This would compare well with current arrangements. In February, the National Audit Office 24 highlighted that local authorities aren't at present even given effective support to commission the health checks they have a statutory duty to provide.

For the start of deep reform, the government announced:

- Baroness Louise Casey of Blackstock to lead an independent commission, expected to start in April 2025 and to be run in two phases;
- Phase 1 to report in 2026, identifying the critical issues facing adult social care and setting out recommendations for improvement in the medium term; and
- Phase 2 to report in 2028, identifying a fair and affordable model of care for the ageing population and setting out longer-term transformation recommendations.

Shortly afterwards, on 6th February 2025, better accountability for current users of the system was introduced when the Local Government and Social Care Ombudsman launched a new guide for complaints about adult social care services. The guide sets out how local authorities in England should handle complaints about adult social care and includes a new model for complaints handling which allows councils to try to resolve complaints early, before moving on to having a closer look at issues raised where this is not possible.

Helpful resources:

Government announcements

Adult Social Care Complaints, Reviews and Appeals: A good practice guide for local authorities - Local Government and Social Care Ombudsman

Special educational needs (SEN)

The government confirmed in December 2024 that it will not enter any more safety valve agreements to support local authorities with dedicated schools grant (high needs block) deficits. The government states that it will instead provide additional capital investment for making classrooms more accessible for SEN children.

The Public Accounts Committee (PAC) reported on 15th January 2025 that the "system to support children and young people with special educational needs (SEN) in England is reaching, or, arguably, has already reached, crisis point".

PAC highlighted that:

- The current system is inconsistent and not delivering in line with expectations;
- The Government does not fully understand why demand has risen over the last decade and cannot fully articulate what inclusive education is;
- There is no potential solution to the "critical and immediate" financial challenges facing local authorities; and
- Based on the Department's current forecasts for the need for SEN support, the annual gap between funding and forecast costs across local authorities will grow to between £2.9 billion and £3.9 billion in 2027/28.

Citing a 140% increase over the last decade in the number of children with education, health and care plans; and 1.9 million children and young people aged 0 to 25 years having special educational needs (in January 2024), PAC's "crisis" reporting will be surprising to few people. A deeper overhaul of the system seems likely to be needed in the next few years, rather than simply spending more on capital for classrooms. This PAC report is unlikely to be the last we hear on SEN.

For a full copy of the report, see [Support for children and young people with special educational needs].

Homelessness

The Public Accounts Committee (PAC) expressed their concern in January 2025 that homelessness levels are at their highest since records began. The Committee concluded that:

- Local authorities are insufficiently resourced to focus on preventing households from becoming homeless;
- It is unacceptable that bed and breakfast accommodation is being used routinely to house people rather than as a last resort;
- Too many people's lives are disrupted by being placed in temporary accommodation outside of their local area;
- Local Housing Allowance rates may have been set without due consideration of their impact on homelessness;
- The absence of a joined up, cross-government approach makes it hard to tackle homelessness in England;
- The homelessness problem is exacerbated by a severe shortage in housing supply, and especially affordable housing; and
- There are weaknesses in oversight of the supported housing sector.

PAC recognised that multiple funding streams have been a challenge for local authorities; that the Home Office has competed against local authorities for access to much-needed accommodation in the past; that the national standards for support envisaged in the Supported Housing (Regulatory Oversight) Act 2023, have not been implemented by MHCLG; and that, faced with crisis levels of demand, local authorities are less and less able to spend money on prevention.

PAC notes that MHCLG states the Government is committed to producing a strategy and associated metrics in 2025; and that an inter-ministerial group on homelessness, chaired by MHCLG, has been created. However, PAC also questions "how this arrangement will achieve results that the existing cross-government boards with a remit relevant to homelessness have failed to achieve". Citing a cost increase for temporary accommodation from £1.6 billion in 2022/23 to around £2.1 billion in 2023/24, PAC does not make the outlook for any future prevention seem positive.

For a full copy of the report, see Tackling homelessness.

Sector Developments- have your say

With the important consultations around Local Audit Reform (including financial reporting), Funding Reform, and Standards and Conduct now closed, it is worth remembering that there are other important debates shaping the sector that your council can still have a say on:

- GOV UK: Funding arrangements for homelessness prevention grant – closes 11.45 pm on 11th March 2025

Funding arrangements for the Homelessness Prevention Grant from 2026/27 onwards - GOV.UK

- GOV UK: Land use in England – closes 11.59pm on 25th April 2025

Land use in England - GOV.UK

- GOV UK: Improving the way Ofsted inspects education – closes 11.59pm on 28 April 2025

Improving the way Ofsted inspects education - GOV.UK

- CIPFA: Updated guidance on the annual review and preparation of an annual governance statement – closes 25th April 2025

Consultation on updated guidance on the annual review

Value for money webinar for Audit Committee members

We plan to hold the second in a series of Value for Money (VFM) webinars for members of Audit Committees on 4th June 2025 from 4:00pm until 5.30pm. Invitations will be available on the Grant Thornton website shortly. Alternatively, please speak to your audit Engagement Lead or Engagement Manager. Delivered by Grant Thornton specialists and drawing on experience from across the sector, the webinar will cover:

How to prepare for devolution and reorganisation:

- Shared experience from other reorganisations, with a focus on:
- Setting up new strategic authorities;
- Preparing successful final November 2025 proposals;
- Programme management;
- Organisational enablement;
- Robust evidence for costs and benefits analysis;
- Setting out your vision; and
- Successful engagement with people and culture.

Lessons learnt from 2023/24 and how to get ready for 2024/25:

- Review of findings from more than 100 Auditor Annual Reports to identify common findings and what those tell us about areas where more scrutiny is needed;
- Year on year trends across the sector; and
- How to prepare for VFM audit 2024/25.

We look forward to welcoming you.

Audit Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards
https://www.gov.uk/government/publications/public-sector-internal-audit-standards

Code of Audit Practice for local auditors (NAO):
https://www.nao.org.uk/code-audit-practice/

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):
https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/

The Three Lines of Defence Model (IAA)
https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf

Risk Management Guidance / The Orange Book (UK Government):

https://www.gov.uk/government/publications/orange-book

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition

Delivering Good Governance in Local Government

https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition

Financial Management Code

https://www.cipfa.org/fmcode

Prudential Code

https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition

Treasury Management Code

https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crosssectoral-guidance-notes-2021-edition

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